BRIGHT INSIGHT

The 2022 National Legal Sector Benchmark Survey Results

In partnership with ALM LEGAL INTELLIGENCE and LAW.COM

CUSHMAN & WAKEFIELD

LEGAL SECTOR ADVISORY GROUP

Cushman & Wakefield's global Legal Sector Advisory Group consists of more than 450 globalglobal advisors that specialize in strategizing, creating, and implementing real estate solutions that support the business and people of today's legal sector. Our extensive experience working with local, regional, national, and global law firms has uniquely positioned us to guide you through complicated decision making required in today's fast-paced and ever-changing environment due to legal sector shifts and the dramatic impathe global pandemic has had on the sector over the past two years.

We are committed to providing our legal sector clients with up-to-the-minute intellectual capital, thought leadership around industry challenges, and the solutions required to help guide firms through the future evolution of the sector to effect change long-term change.

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of $9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.
To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Cushman & Wakefield's Legal Sector Advisory Group has been named #1 in Tenant Representation by The National Law Journal for the past nine years.

For the last nine years, Cushman & Wakefield's Legal Sector Advisory Group ("LSAG"), comprised of over 450 advisors worldwide, has conducted our **Bright Insight** report in partnership with ALM/American Lawyer. The report covers many aspects of law firm benchmarks and trends including strategy, business, talent, operations, technology, real estate and more. We thank you for your participation in the survey. Cushman & Wakefield is also honored to have been ranked the #1 Tenant Representation firm to the legal sector by ALM/American Lawyer for the past nine years. We also thank you also for voting for us!

Each year, the survey results have been analyzed and incorporated in our **Bright Insights** report and is annually presented during our global webinar, including live polling, to provide attendees with up-to-the-minute feedback of what firms are thinking in a variety of categories. It has been our goal to provide you with the trends, benchmarking data and insights that will enable your firm to evaluate the many aspects and criteria of your real estate strategy to help you make the best decisions possible in the coming years.

Although there are common themes and trends that have been evident since the inception of our survey, we recognize that the global pandemic has disrupted the world as we know it—and accelerated the pace of change at a rate anticipated to continue into the future.

We hope you find Cushman & Wakefield's Legal Sector Advisory Group's resources and thought leadership beneficial as your firm navigates its path forward. **We would be delighted to meet with members of your firm to discuss our Bright Insight report results in greater depth, together with local market updates that are impacting today's real estate decision making.**

Warmest regards,

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HOT TOPICS INCLUDED IN BRIGHT INSIGHT:

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BRIGHT INSIGHT OVERVIEW

2021 was a banner year in the legal sector. Financial results were nothing less than staggering with 100% of Am Law 100 firms having increased revenue and the top firm on the list breaking the $6 billion revenue mark. In addition, 14% of firm respondents noted a gross revenue increase of over 31% in 2021. We have never before seen this level of increase and positive metrics across the board.

These results were all the more remarkable in that they were achieved against a backdrop of the global pandemic that continued to disrupt households, communities and industries. In 2021, the Am Law 100 and 200 ranked firms accounted for $162 billion in revenue and employed 223,500 lawyers, with an increase in annual revenue of 5.9%.

On a global basis, gross revenue in the legal sector grew from $690 billion to $713 billion since the pandemic, an increase of 3.3%.[1] In the U.S., legal sector revenue is estimated at $350 billion, up 9% from 2019 ($321 billion).[2] In addition to the above increases, AmLaw 100 reached other milestones as well. Billing rates were up 5.7% year-over-year, and overall headcount increased 2.1 %, resulting in a 12.5% increase in average revenue per lawyer of $1.19 million. Other expenses remained lower than pre-pandemic levels, resulting in average profits per equity partner of $2.66 million, an increase of 19.4% compared to 2020.[3] As a result, **law firm profitability set new records.**

With the positives came some significant challenges, too. The war

Law firm profitability set new records

for talent, both for lawyers and staff, intensified even more. Most lawyers were hired from other firms, which put pressure on small to mid-size firms to closely analyze their firm's position and their strategies to retain talent and compete for new talent and clients. Tertiary markets like Salt Lake City also saw law firm growth like we have never seen before. Eight (8) new firms

entered the Salt Lake City market in 2021 alone, eight (8) firms, all from Am Law 100 or Am Law 200 firms, now totaling approximately 300 attorneys, most of whom were hired away from local and regional firms. Legal sector growth in other markets such as Chicago, Philadelphia and Los Angeles, counted for 10%+ of 2021 overall leasing activity that was transacted by law firms.

Beyond the legal industry, business sectors across the board experienced revenue growth. The overall growth rate of 6.4% of all sectors was slightly faster than the legal sector's 5.6% growth rate. Leading the pack were data processing (revenue up 25%+), transportation and warehousing (revenue up 12%+), finance and insurance (revenue up 9%+). While retail suffered initially due the pandemic, the sector experienced revenue growth by 7.7% last year.[4]

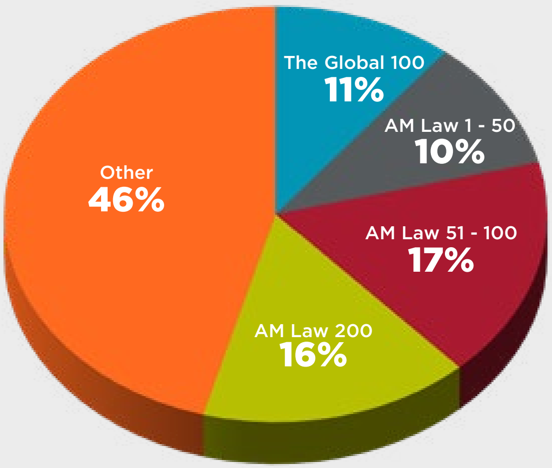
Beyond the financial impact of the pandemic, the legal sector has shifted in fundamental ways that are likely to have long-term effects on the profession. A keen focus on developing firmwide strategies is at an all-time high, with 88% of survey respondents noting that they are more focused on their firm's strategy than ever before. For the majority, **85% of firms also noted that COVID-19 had a favorable impact** on their firm with only 1% noting that the pandemic has been devastating to its firm. In a related note, 80% of the respondents indicated that COVID-19 has provided their firm with the opportunity to rethink every aspect of their people and their business.

After a significant pause in the market in 2020, **leasing activity picked up in 2021.** The top three U.S. law firm markets, New York City, Washington, D.C. and Chicago, were the most active, totaling 40% of the top ten U.S legal sector markets' overall leasing activity in 2021. In addition, we saw the percentage of new leases in these same markets increase to 5.9 million square feet (msf) and renewals decrease to 5.5 msf from 4.9 msf and 6.0 msf, respectively.

BRIGHT INSIGHT SURVEY RESPONDENTS

Cushman & Wakefield's **2022 Bright Insight Legal Sector Survey** was confidential. Respondents self-identified if their firm held an Am Law 100 or 200 or global ranking, or if their firm was a national, regional or local firm not on one of the ranking lists. Respondents ranged from firms with fewer than 20 attorneys to global mega firms. Unless noted otherwise, all statistics and charts in this report come from Cushman & Wakefield's Legal Sector Advisory Group's Benchmark and Associate Surveys conducted in partnership with ALM in Q1 of 2022.

Fifty-four (54%) of the survey respondents were from AM100, 200 and global firms while 46% were from one-off, regional or national non-ranked firms. The diversity of respondents provides for feedback from firms of all sizes and revenue.



54%
AM 100 & AM 200 or Global Firms

These trends continue to support the preference law firms now have for more efficient buildings and an overall flight to higher quality buildings (new or trophy Class A existing). In addition, overall occupancy in 2021 on a square foot basis by law firms decreased 14%, on average for new leases, and 6% on renewals in all U.S. cities. Relocations also increased because of attractive landlord concessions (tenant improvements and free rent), which peaked at an increase of 54% over 2020. This concession increase minimized out-of-pocket capital costs, making a relocation more financially viable, while also providing the opportunity for a firm to right-size and implement new workplace strategies.

No doubt, the sector is continuing to shift at lightning speed, far more dramatically than in the past, and this pace of change is likely to continue.

No longer are we seeing a one-size-fits-all model; rather firms are closely evaluating and determining what is right for their own firm, their people, clients and overall future success. We're seeing an industry correction that many believe was long overdue.

Coming off its best year ever, what can the legal sector do for an encore?

That's the million-dollar question—and part of the answer is rooted in the results and trends that are reflected throughout the 9th annual edition of Cushman & Wakefield's **Bright Insight** report.

Other significant questions still remain: How will firms compete for talent in perhaps the fiercest labor market of the last few decades? How will firms respond to attorney and staff expectations about hybrid work flexibility? Law firms are reassessing every aspect of their people, business, and culture, and are laser-focused on the purpose of the office. They're aligning their work policies with their goals, values and client needs. No doubt these factors will have broad implications for future space requirements, workplace layout, design and functionality and continued investments in technology.

The questions are abundant. The answers, however, are not as clear. **What we do know is that each firm will discover its own answers.** It's going to be an evolution, a several-year process of experimentation and refinement before the legal sector arrives at the solutions that work best for its people, clients and businesses.

IMPACT OF COVID-19

THE GREAT DISRUPTOR

The global pandemic set a new course for the future of workplace, placing its mark on a changed work environment. The abrupt shift to fully remote working, and now to hybrid work environments, has been monumental. In just two years, law firm leaders have reoriented their skeptical views of remote work to broad acceptance of a likely permanent shift away from the office as the only or primary place of business for most attorneys and staff roles alike. This is a new reality for the legal sector but may not be enthusiastically accepted by all. While many firms are quickly adapting, the pandemic's disruption will continue to impact the legal sector for years to come. From a health crisis perspective, the world seems to be in a much better place compared to 2020. But leaders of all types of industries, including law firms, are finding the new complexities of mapping out a successful workplace model of the future to be challenging.

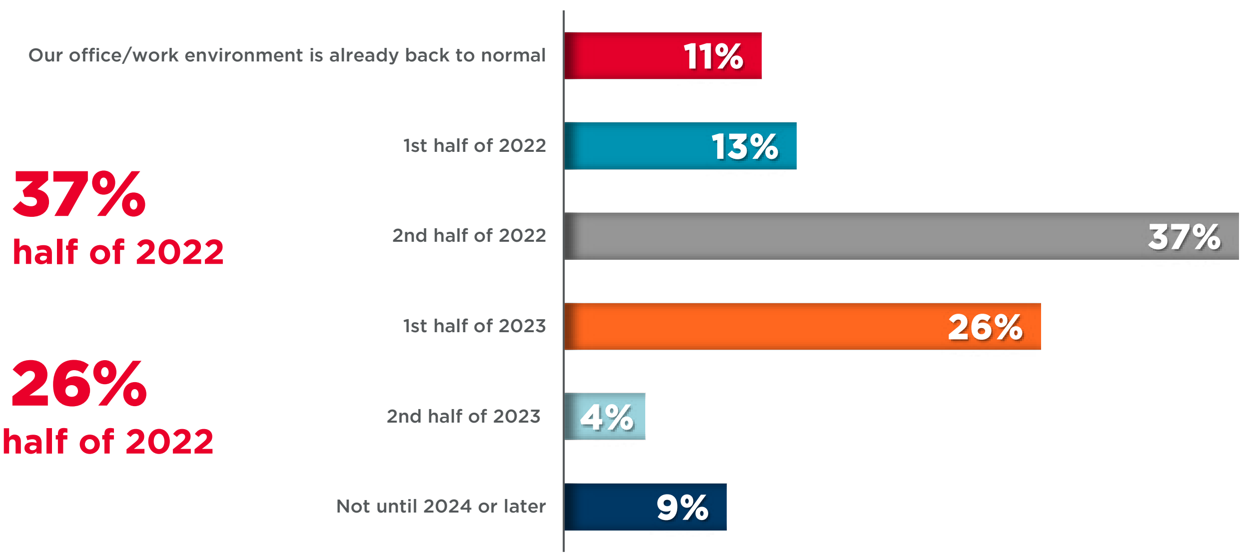
While many firms are quickly adapting, the pandemic's disruption will continue to impact the legal sector for years to come.

In fact, when firms were asked the timing of when they anticipate the return to the office normalizing, the response was 37% do not anticipate stabilization until the second half of 2022, and another 26% not until the first half of 2023. Keep in mind "normalize" is not defined as everyone returning to the office to work. Rather it signifies in this context what will be the normal on a case-by-case basis for each firm and how they approach the return.

When do you expect the office/work environment to normalize back to a pre-pandemic level?

37%
2nd half of 2022

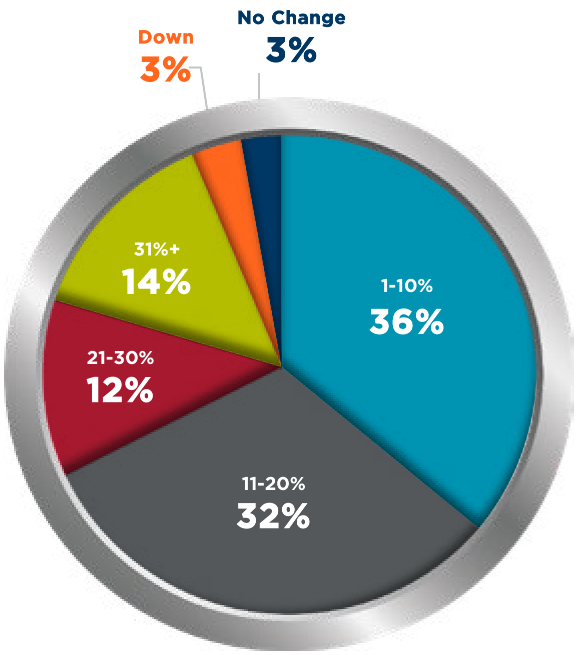
26%
1st half of 2022



UNPRECEDENTED GROWTH DESPITE UNPRECEDENTED CHANGE

Despite, or maybe even because of the pandemic-related disruptions to law firm operations and to the industry itself, the legal sector had a record year of financial performance in 2021. Revenue was up year-over-year according to 96% of survey respondents, and more than a quarter of firms indicate revenue was up at least 20%. Larger firms fared even better as 36% of Am Law and Global 100 firms indicating 2021 revenue grew by 20% or more year-over-year.

How much did your firm's gross revenue change year-over-year in 2021?



14% increased 31% or more

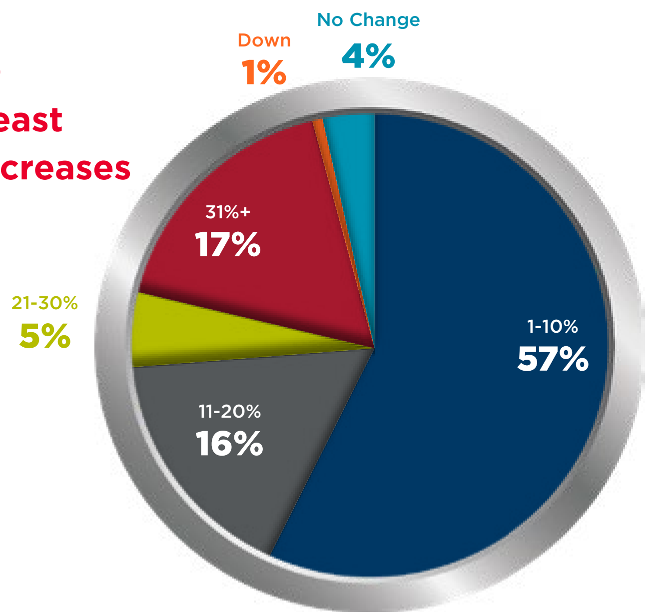
12% increased 21% to 30%

32% increased 11% to 20%

What is your firm's year-over-year projected revenue growth in 2022?

95% expect an increase

38% expect at least double-digit increases



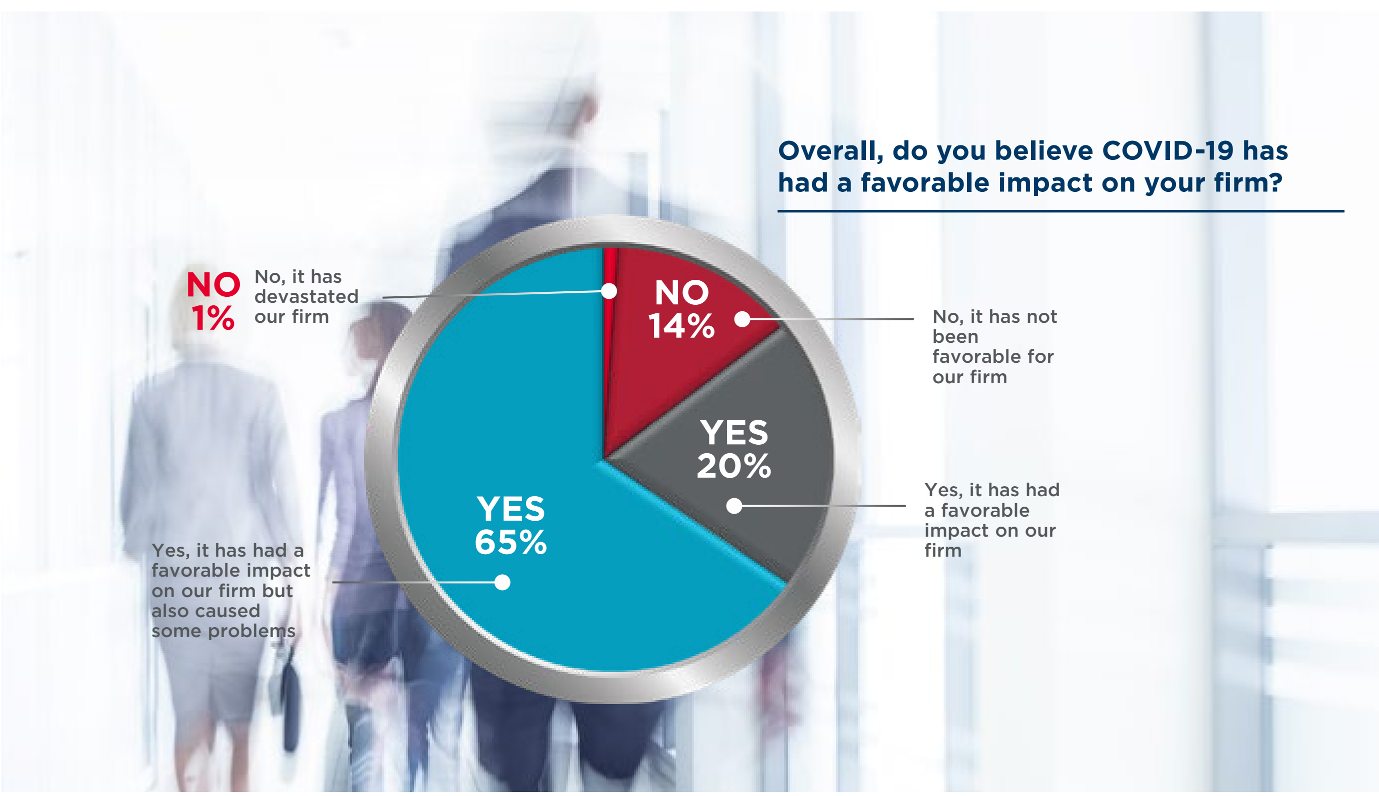
It should be noted that since the survey was conducted, 2022 is showing signs of greater uncertainty and headwinds from a macro perspective—inflation concerns, supply chain issues, geopolitical events and interest rate hikes. That said, at the time of the survey, confidence in revenue remained high for 2022. The overwhelming majority of the respondents to this year's survey, 95%, noted that their firm expects increases in revenue again this year, and nearly 40% forecast double-digit revenue growth. Further, more than a quarter of Am Law 100 and Global 100 firms expect 2022 revenue growth to exceed 30%, compared to 10% of all other firms.

IMPACT OF THE PANDEMIC LARGELY POSITIVE, BUT MIXED

Beyond positive revenue outcomes, 85% of respondents believe that the global COVID-19 pandemic, directly or indirectly, positively impacted their businesses. Many believe some of the forced changes imposed by the pandemic were long overdue, enabling them to accelerate changes that were already very much in evidence.

- **The success law firms achieved in a remote work environment with extraordinarily high demand has led to an even greater re-evaluation of their business models.**
- **The pandemic has also forced law firms to look more closely at the bottom line and individual lawyer productivity.** A potential byproduct of this review may have accelerated attorney retirements, which was cited as the top reason for lawyers leaving their firms in 2020 and 2021.
- While acknowledging their great financial success during the pandemic, law firm leaders have expressed significant concern about the negative effects of remote working to law firm culture, training, mentorship, collaboration, overall wellness of all personnel and the ability to attract new clients.
- For many years, law firms have tended to move in lockstep with each other, particularly with respect to talent and firm policies. Since the pandemic, we're now seeing firms chart their own course to a much greater degree, establishing hybrid work policies that are most suitable to their firm's particular needs and circumstances.

85% of respondents believe that the global COVID-19 pandemic, directly or indirectly, positively impacted their businesses

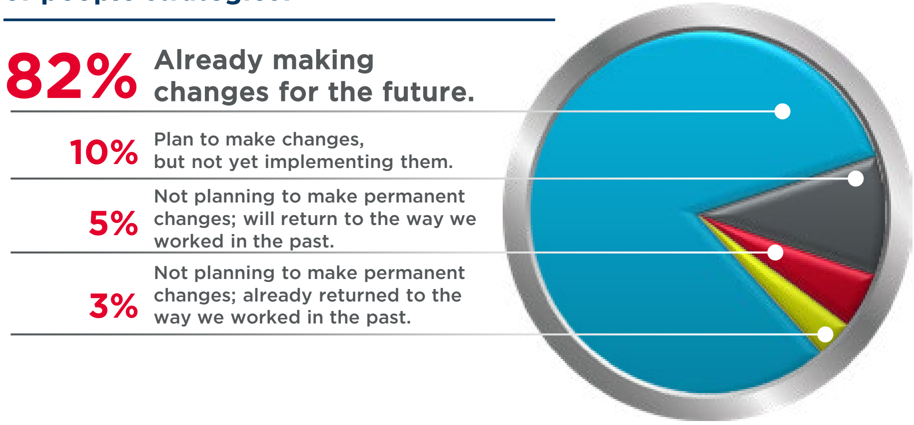


SEIZING THE OPPORTUNITY TO EFFECT CHANGE AND MARKET OPPORTUNITIES

Law firms have also increased their attention to long-term business strategy to a degree we have not historically seen. By a four-to-one margin, law firms agree that the pandemic created an opportunity to think differently about how firms are operating their businesses. After decades of more short-term strategies, more than 50% of respondent firms indicated that they are more focused on developing and refining multi-year strategic plans. Another third (31%) indicated they are modestly increasing their long-term focus on strategy. Only 12% have not increased their focus on future strategy.

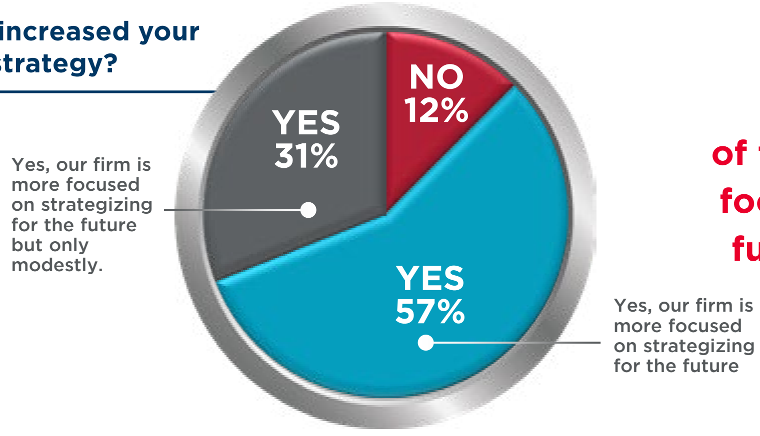
Firms are taking action to change—**82% of respondents have already started implementing changes**, while only 8% expect to make no changes at all. In the coming months and years, firms will closely evaluate progress toward achieving business, financial, operational and workplace goals, including the continued assessment of return to the office protocols.

As a result of COVID-19, is your firm implementing changes to your business or people strategies?



Firms with multi-market real estate portfolios now have opportunities that may not have existed prior to the pandemic. Beyond closely evaluating business drivers in any given location, firms can consider how the pandemic has impacted local offices (growth, downsizing, positive and negative impacts) as well as local market conditions, both positive and negative. Some of these local market conditions can include increased or decreased vacancy rates, public safety, pandemic surges, building ownership (debt, equity and risk) and its overall stability and financial situation. **With a plethora of new data considerations, firms are developing long-range, multi-year, firmwide strategic plans**—an important business shift in the sector. Understanding who will be in the office, in what geographies, how often and for what purpose will be key in making space and location decisions. And these decisions will ultimately impact real estate costs and firm performance.

Overall, has COVID-19 increased your firm's focus on future strategy?



88%

of firms are more focused on their future strategy

RECRUITING AND RETENTION OF TOP TALENT

EMPLOYMENT STILL RECOVERING

The initial impact of COVID-19 on U.S. employment was sudden and severe. Nearly 22 million jobs were lost in just two months, which represented a decline of 14.4%. For comparison, only 8.7 million jobs were lost after the Great Financial Crisis, and it took two years from peak to trough.[5]

Office-using sectors fared better than the broader economy, but still experienced significant declines. Between February and April 2020, 8.6% of U.S. office jobs (2.8 million) were lost. Employment declines in the legal sector were less severe but still substantial, as 6% of legal services jobs were shed in just two months when the pandemic struck in early 2020. In many cases, firms were fearful the pandemic would erode revenue and profits, thus the initial reaction was to cut expenses and lay off staff. After these initial layoffs, firms began to see demand increase, which led to firms hiring again and record employment gains over the past two years (+7.7%). By October of 2021, office-using employment had fully recovered, and as of April 2022, employment in the legal sector stands 1.3% above the previous peak in February 2020.[6]

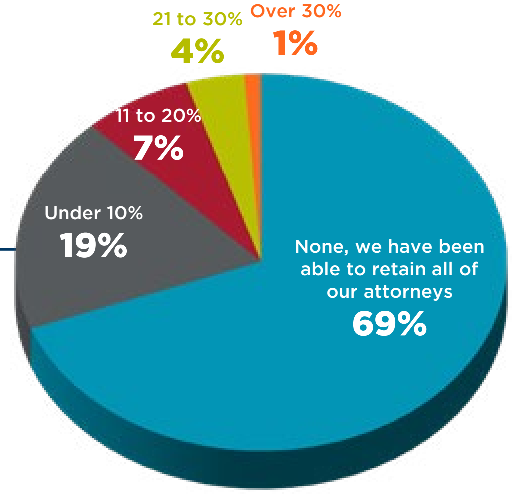
Fifty percent of our survey respondents noted that their firm was able to fully retain their staffing numbers over the last two years, while less than 20% of firms reduced staff headcount by more than 10% during the pandemic.

Notably, **two-thirds of firms (69%) retained all their lawyers during the pandemic, while 13% have permanently terminated more than 10% of their lawyers**—an action that increased significantly due to the pandemic as firms took the opportunity to assess and terminate lower performing attorneys and staff.

Since March of 2020, what percentage of attorneys have been permanently laid off?

31%

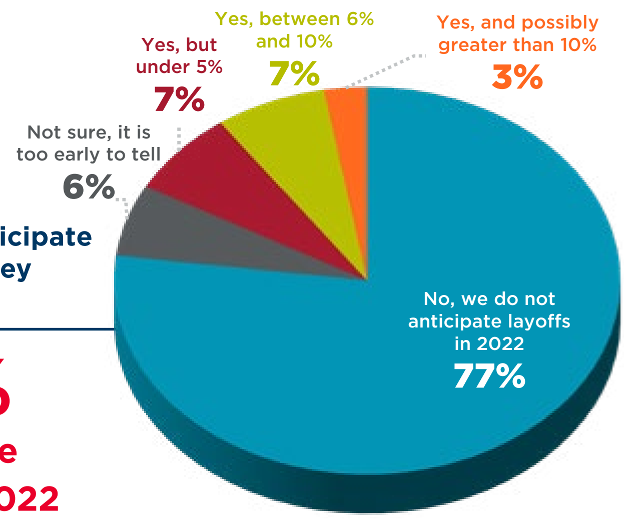
have laid off attorneys



Does your firm anticipate staff and/or attorney layoffs in 2022?

23%

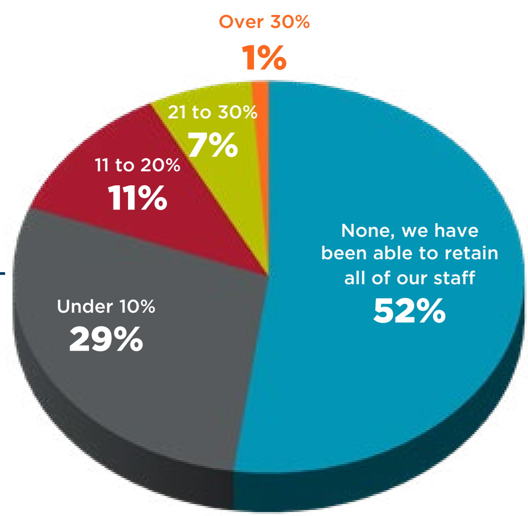
anticipate layoffs in 2022



Since March of 2020, what percentage of staff have been permanently laid off?

48%

have laid off staff



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The above said—and given the current tight labor market and intense competition for talent, plus a generally strong economy and legal sector—it's not surprising that nearly 80% of firms do not plan to reduce attorney or staff headcounts in 2022. The challenge in fact is the opposite. Firms want to grow and hire more high-quality attorneys and staff.

WAR FOR TALENT CONTINUES TO BE FIERCE

The war for talent for both attorneys and staff has never been fiercer. Law firms, especially large firms, are increasingly recruiting and attracting attorneys from competitors, enticing them with increased compensation, flexibility to enhance work-life balance, and opportunities with larger platforms and promotions. The challenge has been exacerbated by lawyers leaving the industry, either through retirement—a common refrain through the pandemic across many industries—or by simply choosing different career paths. Law firms, as a result, are no longer just competing for the best and brightest within the legal industry, but also with the professional service and consulting industries, the technology sector, the financial services industry and other industries. In a tight labor market, especially in the U.S., both attorneys and support staff have countless of job options and careers in 2022, and not only for in-house counsel or other legal-related roles.

As a result, **hiring and retaining top legal talent continues to be both a major focus and major challenge for law firms**. Firms are redoubling their efforts to retain talent, particularly star performers, as lateral hiring continues to escalate. In fact, lateral hiring is the number one source for talent acquisition, and four out of five firms indicate they are targeting and hiring legal talent from other firms. Second is the recruiting and hiring of associates directly from law schools. However, smaller law school class sizes in 2018-2019 have fueled the shortage of mid-level associates. Because so many firms are planning attorney growth in the coming years, it begs the question where all of the attorney talent will be coming from.

According to Law360, attorney lateral hiring increased 111% in 2021.[7] Recruiting candidates from law schools is also an ongoing priority as 67% of firms indicate they are looking to fill roles with law school graduates. One recent development is an increase in the number and scope of law schools from which firms are drawing their new recruits.

In this highly competitive market, firms attempted to attract and

How is your firm recruiting associate candidates differently than in past years?

Work flexibility to support work/life balance	49%
Expanding our diversity initiatives	45%
Clearly define expectations	25%
More transparent about business and operations	24%
No changes	20%
Ask about associate priorities & goals	16%
Value a well-rounded candidate more than before	15%
Recruiting timetable delayed by COVID-19	14%
Shortened Summer 2021 associate program	13%
Decreased incoming associate class size	12%
Remote Summer 2022 associate program	11%
Including associates in firm decision-making	11%
Other	5%

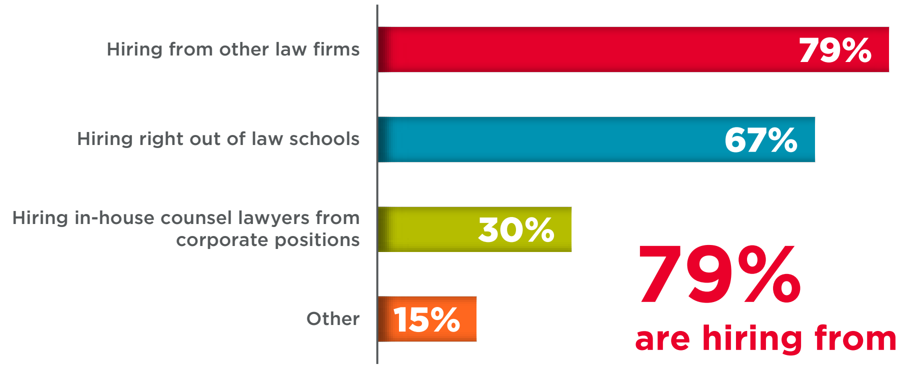
#1

Work Flexibility/ Work-Life Balance

retain the best talent with increased compensation. As of April 2022, for example, 94 large law firms had upped their class of 2021 associates' salaries to a minimum of $215,000.[8] Senior associate salaries at those firms were recently increased, as well, now averaging $410,000. In addition to attractive salaries, large firms can offer candidates career opportunities and a brand cachet that smaller and medium-size firms find difficult to match.

While compensation continues to be an important factor to attorneys and staff, other factors such as work-life balance and the freedom to choose where to work are increasingly important to attracting and retaining talent. Law firms have recognized this new reality. Most firms are offering increased flexibility and hybrid work options as a primary approach to attract and retain talent, up seven percentage points from 2020.

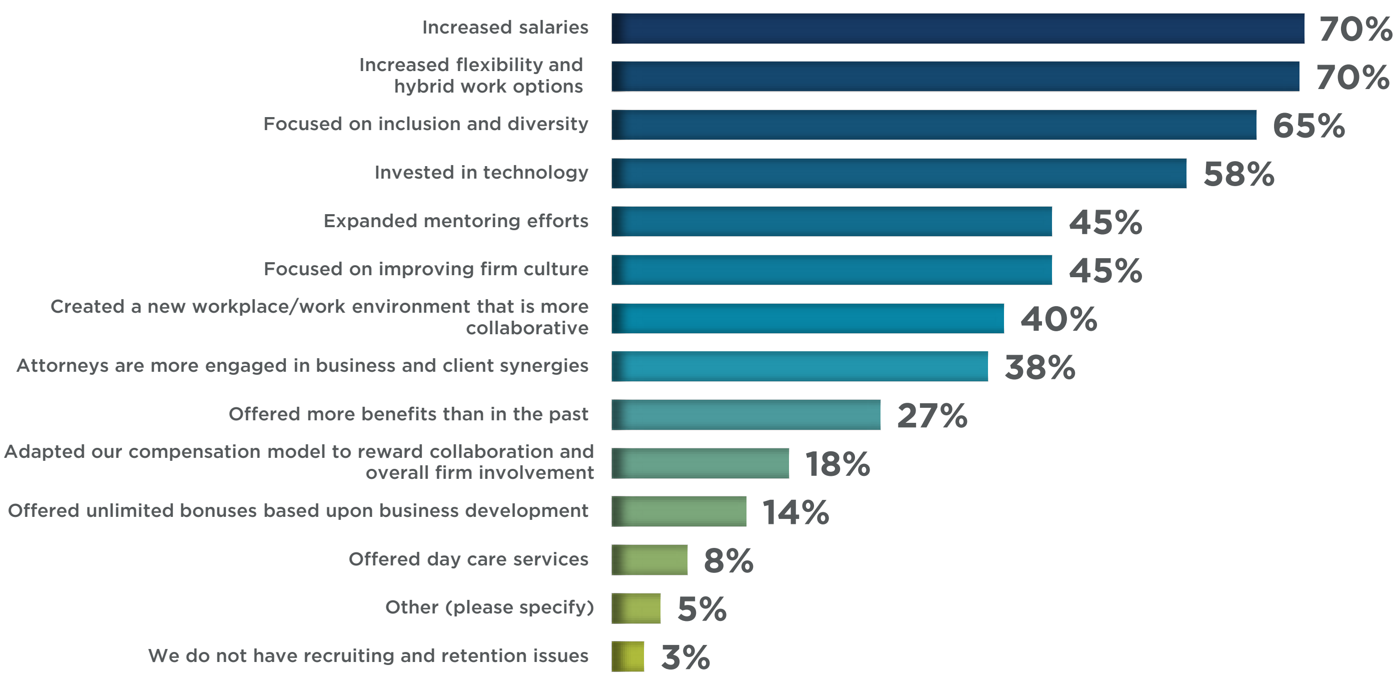
If your firm is currently in growth mode, from where are you hiring the legal talent?



79%
are hiring from other firms

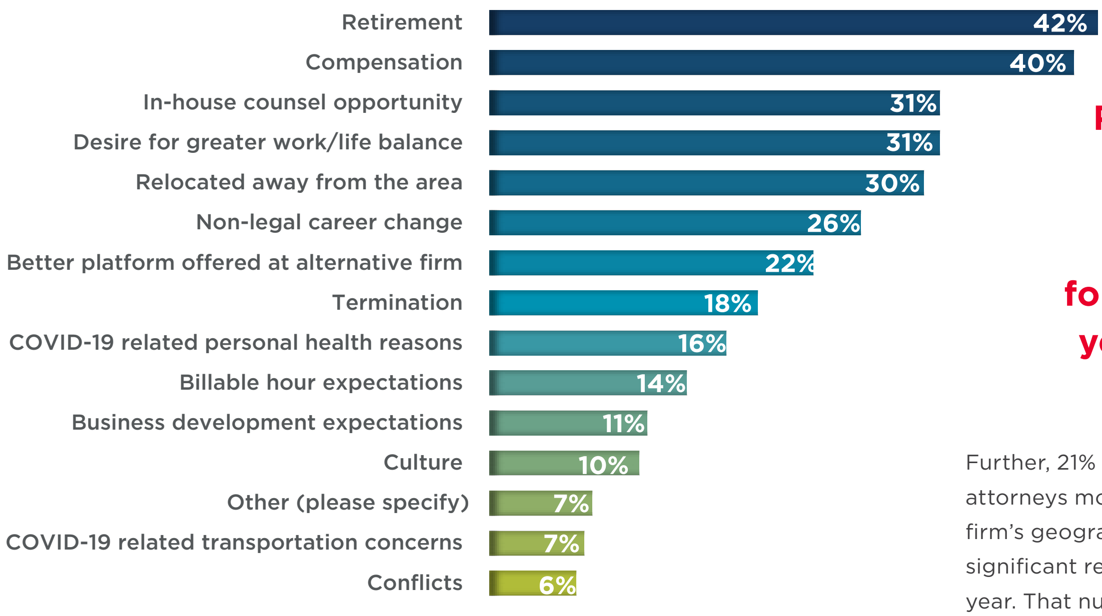
Firms are offering increased salaries and increased flexibility as a primary approach to attract and retain talent.

What specific efforts has your firm taken to improve recruiting and retention of attorneys?



THE GREAT RESIGNATION AND RETIREMENT

What are the primary reasons that attorneys have departed your firm?



Retirement ranked #1 for the second year in a row

Like other industries, the legal sector has been challenged by a wave of labor opt-outs over the last two years, a host of people retiring early or simply choosing to leave the workforce, perhaps temporarily or long-term.

In some cases, lawyers are being hired back to firms from in-house counsel positions, reversing the trend. This is a new phenomenon in the legal profession. Through our discussions with in-house general counsel professionals, it's clear that they are finding the pressures to be just as intense in corporate roles, but in many cases, with lower compensation than at their former firms. Many are looking for opportunities to return to firms, often at more senior levels than when they left and at higher levels of compensation.

As we've noted in prior editions of **Bright Insight**, attorneys representing a broad range of ages and experience levels are reconsidering their careers and priorities. That trend is underscored by our survey feedback compared to prior years. Work-life balance concerns ranked sixth last year among 15 reasons for attorney exits. This year, those concerns moved up to fourth as nearly a third of respondents cited a desire for better work-life balance as significant factor in losing attorneys. These statistics continue to reinforce the value of offering more flexible work environment and hybrid work options.

Other reasons why attorney departures from law firms spiked are attributable to attorneys reassessing their lives during the pandemic. Some people made significant choices about their careers, how they spent their time and with whom, and even where they lived. In 2020, for example, 17% of respondents noted that attorney departures were attributable to career changes outside of the legal sector. That number increased to 26% in 2021.

Further, 21% of law firms noted that attorneys moving outside their firm's geographic location(s) was a significant reason for departures last year. That number came in at 30% in 2021, another jump that seemingly supports a trend many industries are experiencing—namely that people do not feel tethered to a geography for employment, given employers are increasingly comfortable with remote workers. Second, staff members do not feel much risk in relocating to places that appeal to them, especially amid a tight labor market. As of March 2022, more than 11 million jobs were open in the U.S. alone.[9] While job market conditions might not last, for now, workers are confident they can find fulfilling lives and rewarding careers in the places they want to live.

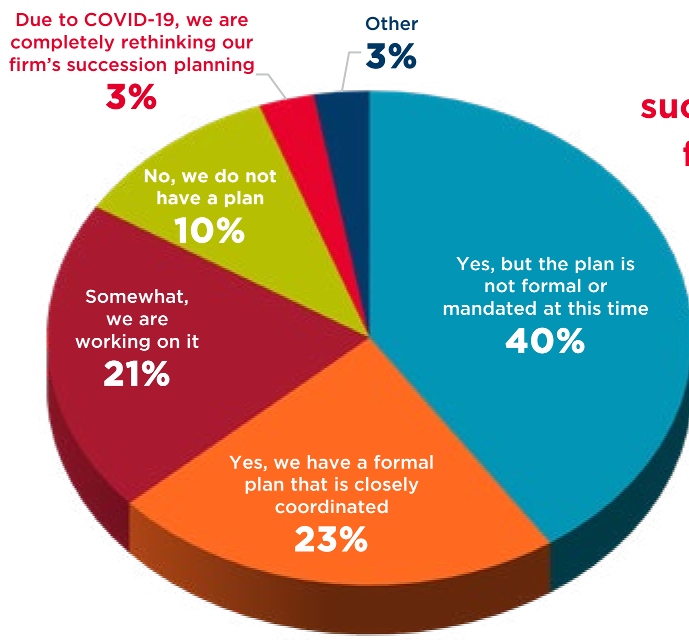
It is no surprise, then, that the survey respondents No. 1 recruitment strategy is to emphasize more flexibility to support work-life balance. Because attorneys and staff desire balance and law firms are keen to provide the flexibility to support it, firms will need to experiment to find the right mix of remote work and in-office work to determine what works best for their attorneys, staff, clients and practice.

SUCCESSION PLANNING

Last year, 54% of firms indicated they had either a formal or informal succession plan in place for retiring attorneys. That number rose to 63% in this year's survey, suggesting that firms are now more focused on succession planning than ever to assure the continuity of their client relationships transferring to the younger generation of attorneys. Respondents indicated that they are also increasingly including younger attorneys in the succession planning process, coordinating with retiring attorneys and developing relationships with their clients to help pave the way for smooth client transitions to the next generation. **In last year's survey, 66% of respondents said that they include their younger attorneys in succession planning discussions, at a minimum, or fully integrate them into the process. This year, that number rose to 73%.**

As a side benefit, having a true succession plan for retiring attorneys is another recruiting tool that firms are utilizing to attract lateral and young talent to the firm as they know they will be a part of the future success of the firm.

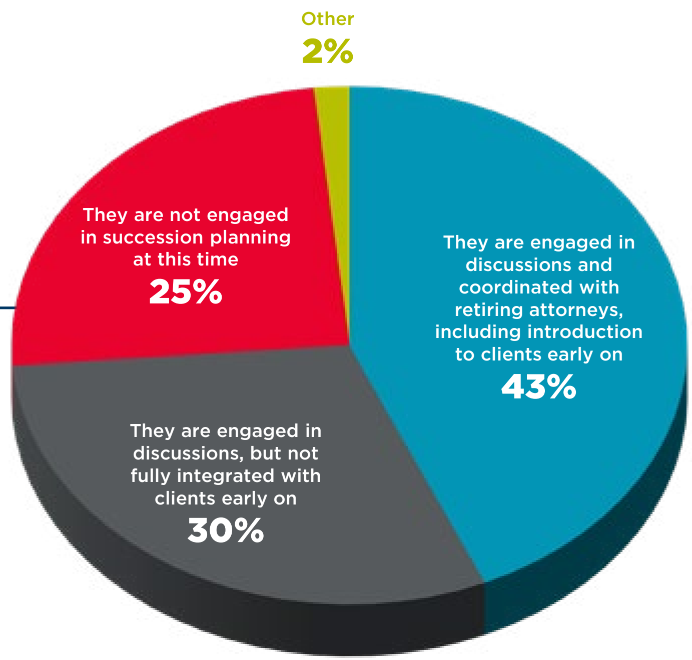
Does your firm currently have a succession plan in place for retiring attorneys?



63%
have a succession plan for retiring attorneys

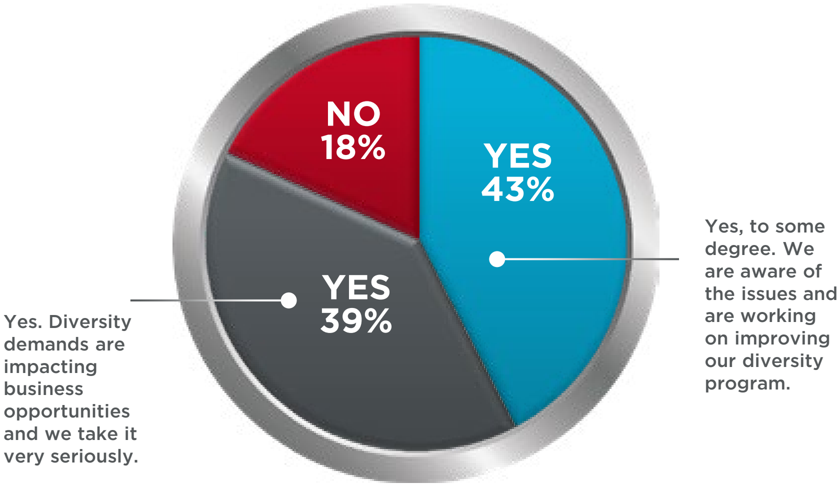
How are you integrating the younger generation of attorneys into succession planning?

73%
involve younger attorneys in succession planning



DIVERSITY, EQUITY AND INCLUSION

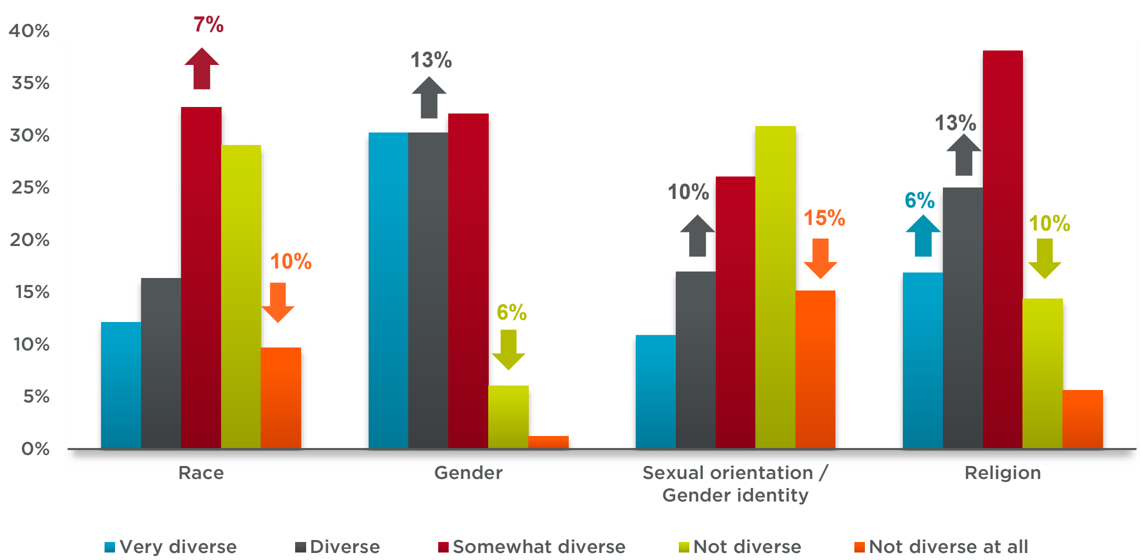
Have client demands regarding diversity impacted the way your firm pursues business opportunities?



The current emphasis on diversity, equity and inclusion (DEI) across all industries and client demands in the legal sector is driving law firms to redouble their efforts to improve overall diversity at the attorney, leadership and staff levels. **While the legal sector has made significant progress more recently, the results are still uneven, and most firms are still far from achieving their goals.**

Gender diversity is where respondents rated themselves most highly—61% of respondents indicated their firm is diverse or very diverse with respect to gender. However, it's worth noting that women remain underrepresented at the partner level. According to the 2021 MCCA Law Firm Diversity Survey Report, women account for nearly half of all associates (48%), but only for 26% of all partners (32% of non-equity partners and 24% of equity partners).[10] The silver lining is the female share is increasing, and to a greater degree, increasing at the partner level— between 2010 and 2020 from 19.4% to 26.0%.

On a scale from 1 - 5 (with 1 being not diverse at all, and 5 being very diverse), how would you rank your firm's attorneys in overall diversity?



Beyond gender diversity, and despite improvements year-over-year, firms still lack diversity elsewhere.

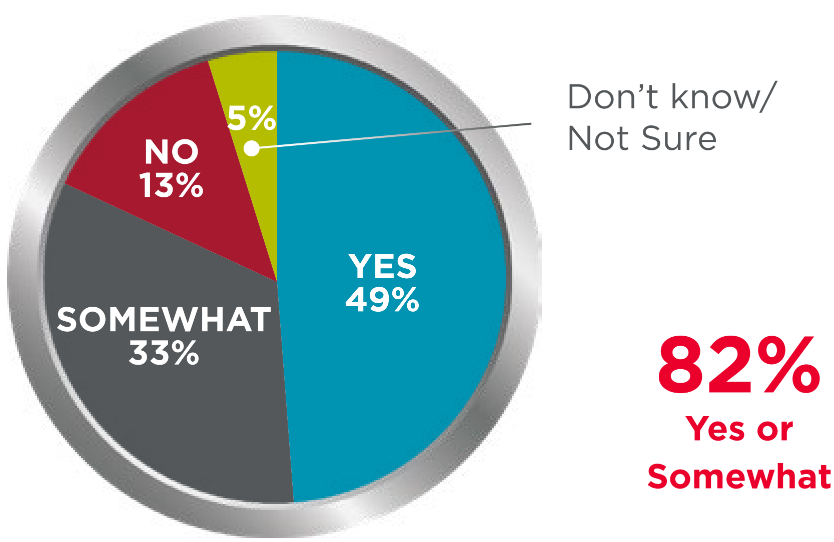
For example, only 28% of respondents cite their firm as diverse or very diverse when it comes to race, sexual orientation or gender identity. Larger firms—Global 100 and Am Law 100—have similar assessments of their gender and religious diversity as smaller firms. However, larger firms are considerably more likely to indicate they are diverse or very diverse when it comes to race and sexual orientation/ gender identity. For example, 28% of all firms believe their racial makeup is diverse or very diverse, but among the largest firms, that share jumps to 45%.

Racial diversity continues to lag. According to the ABA Profile of Legal Professions, in 2021, 4.7% of attorneys identified as black, the same percentage as in 2010, with similar results for other racial groups, underscoring how little progress has been made.

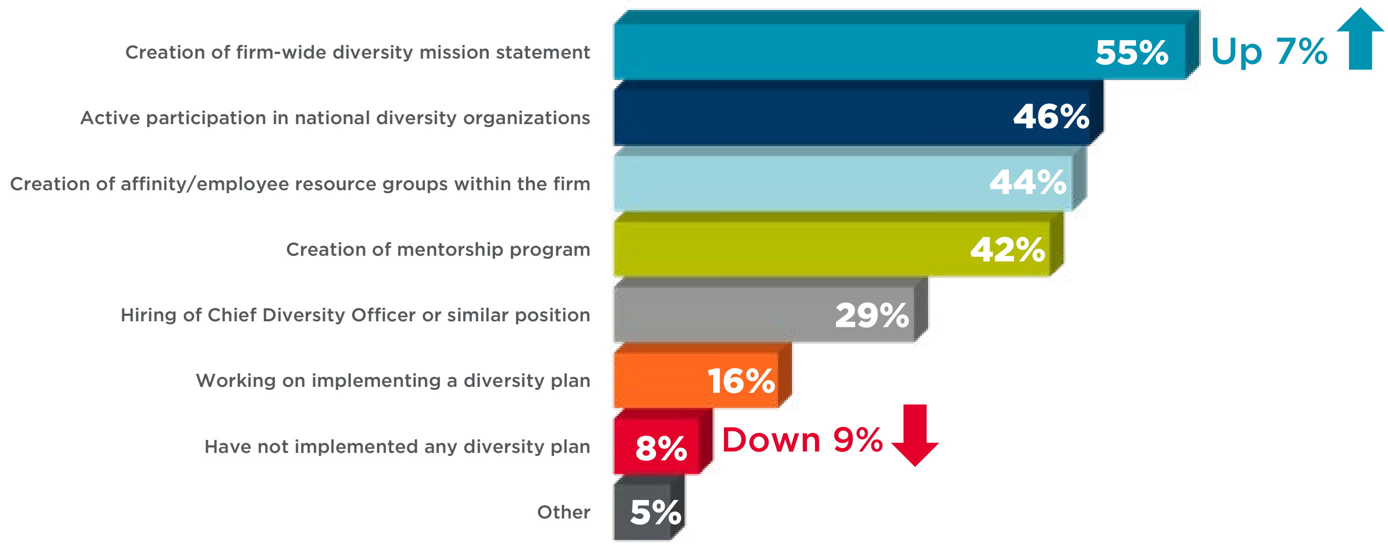
That said, law firms recognize the need for greater diversity and have significantly expanded their DEI efforts. In fact, **more than 80% of firms have a mandate to achieve greater diversity in the next five years**. The imperative to improve and succeed at DEI initiatives has become a strategic, business and reputational legal sector issue, particularly among large firms. Half of Am Law 200 and Global 100 firms indicate client demands are impacting business opportunities and are being taken “very seriously,” while only 28% of other firms say the same. Nearly half of companies in the S&P Index have a Chief Diversity Officer (CDO), according to Russell Reynolds Associates.[11] The legal sector trails this by half, with Reuters indicating approximately a fifth of Am Law 100 firms employ a CDO.[12]

Similar to gender diversity, racial and ethnic diversity is stronger among associates—36% of associates are non-white, while only 11% of partners are. And women of color only account for 4.2% of partners.[13] The pipeline for a more diverse attorney population has improved, particularly as many law firm classes now include more than 50% women and other categories of diversity are increasing as well. According to data collected by the American Bar Association (ABA), 30% of J.D. degrees awarded in 2021 were earned by students that consider themselves non-white, led by Hispanic graduates (12%) and followed by African American (7%) and Asian (6%).[14] Younger generations across all professional service industries desire to work with companies with strong diversity, equity and inclusion programs and track records, so DEI will continue to impact recruiting of young professions. Further, firms are increasingly focused on training and mentorship programs to ensure that the turnover of diverse talent mirrors the entire attorney population.

Does your firm have a mandate to improve diversity in the next 5 years?



What initiatives have been implemented to improve diversity within your firm?



Perhaps the biggest incentive to improve diversity scores is that law firm clients themselves are demanding the firms they work with reflect the client's own DEI priorities and expectations. Law firms report these requirements broadly as **more than 80% indicated that client demands are changing how firms pursue new business**. That figure is up from last year's data. Further, while not a substantial drop, it's notable that the number of respondents who report diversity has **no** impact on the way they pursue business fell from 21% to 18%.

More than 80% of firms have a mandate to achieve greater diversity in the next five years

The challenge for law firms is demonstrating a commitment to DEI, as measured by the results they achieve. Firms continue to employ a range of tactics to increase diversity, from developing diversity mission statements, to participating in national diversity organizations, to developing mentorship programs and creating affinity groups or employee resource groups. These four approaches have ranked at the top for respondents the last three years, though the order has shifted year-to-year.

New initiatives include the addition of more Chief Diversity Officer positions (some of whom have a seat at the table on firm management committees), expanding the pool of law schools from which firms recruit, and expanded training and mentorship programs.

Despite these efforts, attrition rates for racially diverse attorneys continue to far exceed their white counterparts. According to the most recent ABA Model Diversity Survey, in 2020, the attrition rate among white attorneys was 12%, while for African American/ Blacks it was 23%, 19% among Asian Americans and 15% for Hispanic Latinos.

Currently a significant diversity gap also exists between client expectations and firm behavior. Fewer than 50% of respondents indicate that they have a formalized process for assigning or requiring diverse attorneys on every matter. Nearly 50% of the respondents also indicated that their firm has developed no requirements for diversity representation (42%) or simply lack enough diversity professionals to accomplish the goal.

BUSINESS COMPETITION

What are the greatest issues related to business competition that your firm is currently experiencing?

LARGEST SECTOR CHALLENGES

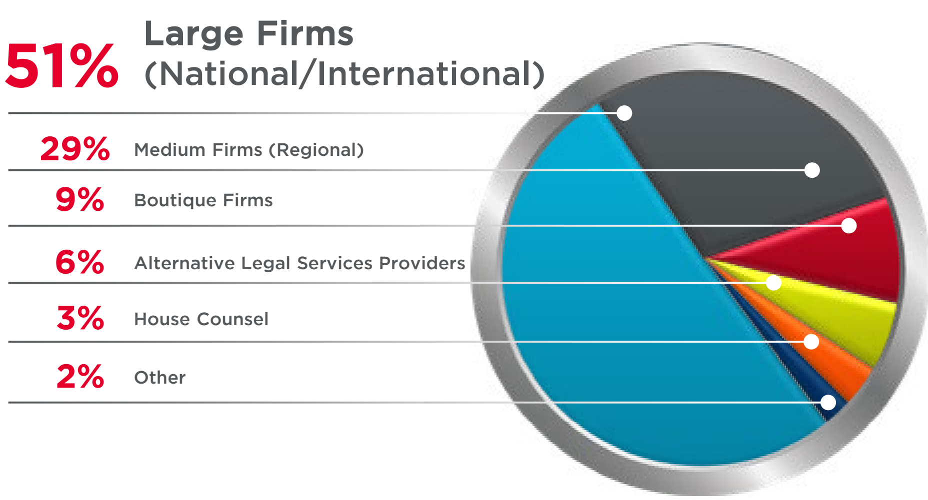
By far, law firms cite the retention and recruitment of talent as the single most important competitive business issue—**60% of respondents indicated talent as their No. 1 business challenge.** Clearly firms believe recruiting, mentoring and retaining the best talent will continue to have the biggest impact on the future of their firm.

While work-life balance, diversity initiatives, firm stature, culture and other factors play roles in why attorneys choose to work at one firm versus another, compensation is still a strong driver. Larger law firms have most recently been well-positioned to fight and win many of the talent battles, offering young talent significant pay increases, larger platforms, greater reach and opportunity for advancement. Now more than ever, small to mid-sized firms are seeking ways to secure their legal talent. In many cases those firms are offering a strong firm culture, expanded mentoring opportunities and technology, hybrid and flexible work environments and amenities as well as a new work environment that will inspire attorneys to return to the office.

The second most important business issue cited was competitive fee structures. Even with billing rates increasing an average of 5.7% in 2021, firms are challenged by competitive fee structures and are seeking new ways to streamline overall operations, expand non-legal talent work on cases, as well as closely monitor and evaluate fee structures and alternative ways to provide value while reducing legal costs to their clients.

The continued impact of COVID-19 also continues to be a significant concern, cited by 28% of survey respondents. Given the extent of residual uncertainty from the pandemic, this is likely to be an ongoing issue in 2022 and beyond.

Which of the following has been your firm's greatest competition during the past 12 months?



THE COMPETITIVE LANDSCAPE

Unsurprisingly, the large firms (BigLaw) are considered the biggest competitor for most respondents (51%) in the latest survey. Large firms have competitive advantages with respect to compensation, opportunities for challenging work, professional development, career opportunities and prestige. The depth and breadth of their legal expertise is also a major draw for clients, despite their charging higher billing rates, on average.

Historically, the Am Law 100 and 200 firms were located in major business markets. Since the pandemic, which loosened the ties to physical offices, a significant number of large firms have been establishing footholds in smaller markets that previously were the purview of smaller firms and regional and local firms. For example, in a little more than 12 months, seven of the Am Law top 100 firms have opened offices in Salt Lake City.

Not only does this type of expansion threaten mid-to small size firms from a business standpoint, but it makes recruiting and retention even more difficult. As noted previously in this report, big firms, new to a market, can offer attorneys highly competitive compensation packages, access to a broader platform, and a flagship brand. What's more, the attorneys get to maintain the quality of life they enjoy in these smaller markets, presumably part of the reason they live in those cities. This trend will continue to put extreme pressure on small to mid-size firms as well as potentially other tertiary markets experiencing similar growth in their markets with new firms entering and hiring away legal and staff talent.

GROWTH STRATEGIES

With the tremendous burst in revenue growth in 2021, firms are taking a multi-pronged approach to maintain their upward trajectory. **Continuing to build the business from within and expanding business from existing clients continues to take the lead.** This is an increasing challenge, particularly as large institutional clients continue to unbundle the work given to outside firms. Recruitment of lateral talent, both to strengthen existing practice areas and enter new areas was cited by 61% of respondents as a vehicle for future growth, followed closely by increasing depth by adding to headcount and strategic geographic expansion. In other words, firms that have performed particularly well are taking advantage of their strengths and further separating themselves from others in the market.

To mitigate these cost challenges, firms are reexamining their real estate footprint and expenses.

FIXED FEE STRUCTURES AND FEE COMPRESSION

When asked about plans to mitigate increasing demand for fixed fee structures and pressure on fee compression, most firms indicated they **remain focused on evaluating operations and streamlining services (60%).** This response has been consistent as the No. 1 measure firms have taken the past five years.

During the pandemic, alternative fee arrangements took a backseat to other priorities. Now that the worst of the pandemic appears to have subsided, law firms have undertaken renewed

Which of the following strategies is your firm considering in order to maintain or increase profits?

efforts to evaluate and streamline operations. COVID-19 changed the way firms worked and new ways of working emerged. With more people returning to the office, firms are focused on eliminating operations that are no longer necessary or relevant, while expanding client services, particularly with new forms of technology. Even firms that are not in the midst of a move or significant renovation are reevaluating space allocation with a view toward creating a more suitable office environment.

MAINTAINING PROFITABILITY

Given the outstanding performance and gains achieved in 2021, firms will be challenged to maintain year-over-year margins. **Associate salaries, which increased 11% on average in 2021 among Am Law 100 firms, pose the greatest challenge to sustaining the levels of profitability**. Other expenses are also coming back, including travel, business development, and office operational expenses, albeit to a lesser extent than pre-pandemic. Meanwhile, technology expenses continue to escalate.

To mitigate these cost challenges, firms are reexamining their real estate footprint and expenses. With attorneys and staff spending less time in the office, firms are reevaluating not only their workplace strategies, but also the cost-effectiveness of their offices and operations, looking to maximize the value of their geographic footprint.

The pandemic had the effect of uncoupling support staff from having to be near the legal teams for whom they work. Renewed attention is being given to locating support functions in less expensive real estate and alternative locations with access to less expensive talent that's well-educated and trained. Greater options are being offered for full-time remote work for certain staff functions. The pandemic has also made the paperless office a reality. All these changes have created opportunities to redeploy workspaces, densify attorney space and reduce overall occupancy, as discussed in this report's real estate section.

ALTERNATIVE LEGAL SERVICES PROVIDERS

While still an outlier, alternative legal services providers are clearly gaining traction with clients looking to reduce their outside legal spend. The percentage of respondents that noted these providers as business competition went from 0% two years ago to 1% in 2021. This year, 6% of respondents noted these kinds of providers as serious competitors. While still not viewed as threatening as other categories of legal services providers, the statistical leap is notable. People continue to retain legal services differently, which means traditional law firms will increasingly face a new world of competition. As segments of legal work are disaggregated, alternative legal service providers are gaining greater acceptance and we are likely to see them play bigger role in the future.

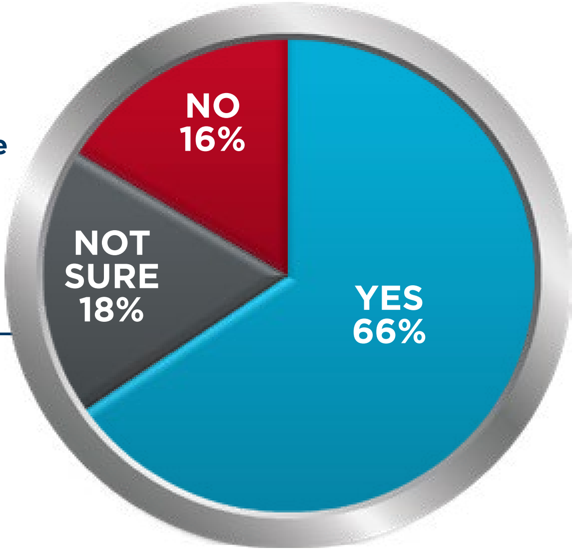
Against the backdrop of an 11% increase in compensation in 2021 and 5.8 % increase in technology spend in Q4 '21 alone (as per Thomson Reuters Peer Monitor Index), firms will be challenged to sustain the profitability and margins achieved last year. As billing rate increases are not likely to match the rate of expense growth, firms are continuing their focus on streamlining operations and closely scrutinizing every aspect of their real estate spend.

TECHNOLOGY

The demand for comprehensive, practice and operational-enhancing technology has never been greater. Technology has been the linchpin of firms' ability to survive and thrive through the pandemic and it is clear that the hybrid work environment will continue to require greater technology investments and ongoing innovation.

For the most part, the legal sector overall had the necessary technology in place to transition to remote working fairly well during the height of the pandemic, and firms that were behind the curve scrambled to catch up.

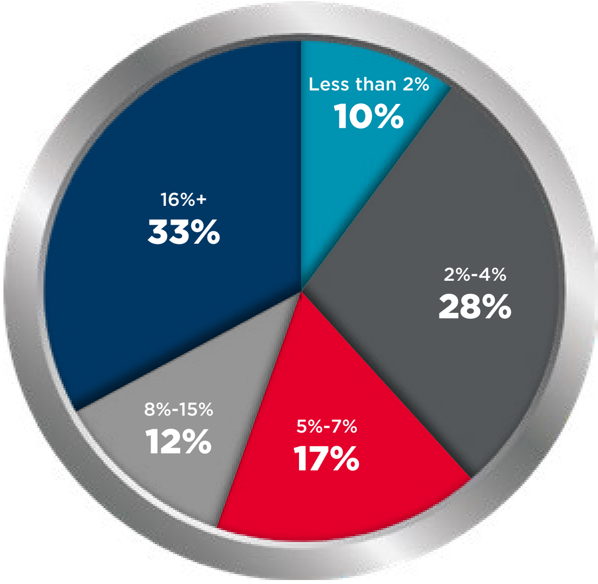
Does your firm anticipate increasing spend on technology to continue to support a more remote working environment?



The way lawyers work is continuing to change dramatically, and new technologies are being rapidly deployed. Connectivity and collaboration tools are key to enabling team members to work from anywhere, across offices and with clients, as efficiently and effectively as being in a conference room together. Having robust networks with the most current redundancy and security features is critical, and firms have prioritized those investments accordingly. Training efforts have also been expanded to keep pace with the new systems and platforms, including regulatory requirements. Although these innovations have a dampening effect on billable hours, they are critical nevertheless, and free attorneys' time to focus on the more sophisticated and complex aspects of their matters.

With respect to technology, only 2% of firms say their lawyers work the same way they always have pre-pandemic. Conversely, nearly two-thirds of respondents indicated their attorneys are searching for cutting-edge technology to do their work better and more efficiently.

What percentage of your firm's gross annual revenue was spent on technology last year?



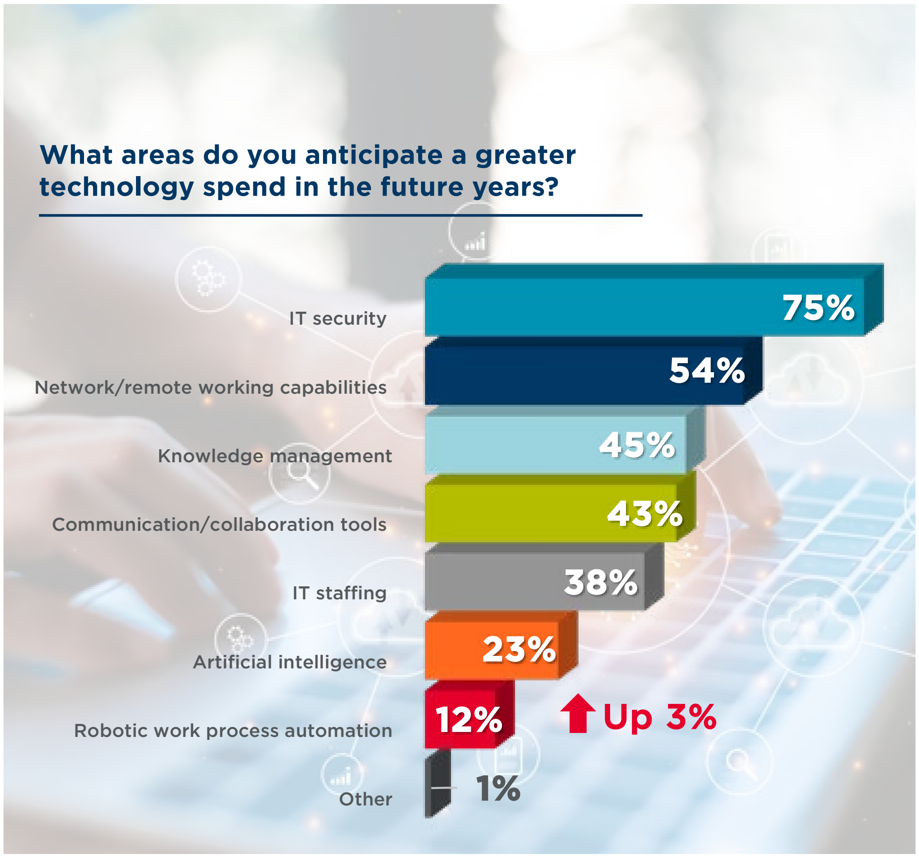
45%

of firms are spending more than 7% of gross revenue on technology

*Up from 30% last year

TECHNOLOGY INVESTMENT ON THE RISE

Given the expansion of technology in the legal sector, it's perhaps unsurprising that while in last year's survey, 30% of firms indicated they spend more than 7% of their gross annual revenue on technology, this year 45% of firms indicated they spend at least 7% of their gross revenue on technology. For some firms, this upward trend has pushed technology spend as a percentage of gross revenue into the No. 2 position, and in many cases leapfrogging real estate costs which historically averaged 6% as a percentage of gross revenue, with the range being as low as 4% to as high as 12%. Over the coming years, the pressure to reduce real estate costs as a percentage of revenue will continue and technology may replace real estate as the No. 2 fixed expense behind salaries.



In fact, **66% of law firm respondents indicate they are going to increase spending to support a more remote working environment** while only 16% indicated they had no plans to spend more. Of those who do plan to spend more, almost half are expecting to increase spending by double-digits over the next two years.

What areas will this increased technology spending go to? IT security is the number one target, as 75% of respondents noted it as the top investment priority. Rounding out the other most noted priorities are networking/remote working capabilities (54%), knowledge management (45%) and communication and collaboration tools (43%).

Equally important to note is the expansion of IT staff. All of this new and expanded technology requires increasingly sophisticated staff to develop, oversee, implement and overall expand technology capabilities. Competition for this kind of talent is robust as all industries are facing similar demands for technology and for technical staff to support it.

In 2020, survey respondents noted the increasing importance of artificial intelligence. In 2021, a similar percentage of respondents (25%) noted the same. One other area not on the technology radar prior to the global pandemic is robotic process automation, which was added to last year's surveys and noted by 13% of respondents as an area of technology that they will be investing in in the future, up from 9% in 2020.

Investments in technology have become an increasingly important component of firm strategy, in terms of where incremental investments are being made. Robust, redundant, secure systems, current hardware and the like are just table stakes. Innovative, matter-oriented solutions, artificial intelligence, systems integrations and seamless connectivity with clients and courts are technology priorities enabling firms to differentiate themselves.

PANDEMIC IMPACT ON REAL ESTATE

MARKET DYNAMICS

Over the past two years, the U.S. office market has softened dramatically, as the pandemic forced people to work from remote locations and not their traditional offices. The pandemic also reduced the demand for additional space to support future growth. These two factors significantly slowed down leasing activity across the majority of U.S. real estate markets. What's more, a large construction pipeline of new office buildings increased the supply of trophy buildings in urban cores across the country. As a result, Central Business District (CBD) Class A office vacancy has increased for 11 straight quarters nationally. As of Q1 2022, the average national vacancy rate is at 20%, more than 800 bps higher than in 2019, when the national average was 12%.

In 2020 and 2021, we saw an increase in lease restructures which, in many cases, included giving back excess space. These types of transactions occurred in many U.S. markets and are projected to continue in the coming years as the legal sector (and all business sectors) takes advantage of high vacancy rate markets and landlords that are willing to be creative with lease restructures for existing tenants.

Leasing activity also dipped significantly in 2020 as many companies put new leasing decisions on hold due to the pandemic. Total CBD Class A office leasing, however, has now started to recover, increasing by 39% year-over-year in Q1 2022. In the first year of the pandemic, a large percentage of leasing transactions were short-term extensions and renewals. Longer-term leases and relocations began to pick up in 2021 as organizations began to feel more comfortable on their return to the office plans. However, legal sector leasing has remained below its pre-pandemic highs. In 2019, 14.3 msf of law firm space was leased across the U.S. In 2021, law firm leasing activity increased 6.0% year-over-year, but at 11.6 msf, still has some room before returning to previous highs. In the top 10 legal sector markets, 7.0 msf of law firm leasing transactions were completed in 2021.[15] That leasing volume is 20% lower than the 8.8 msf in 2019 in the same top markets. There is some growing momentum, however, as Q1 2022 legal sector leasing was up 7.5% from the same quarter in 2021 (2.6 msf vs. 2.4 msf).

THE NEW WORKPLACE

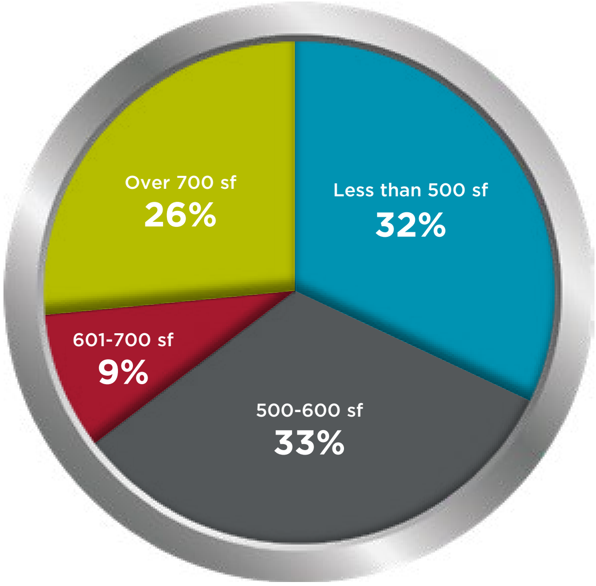
Across the legal sector, **the office workplace is quickly evolving to increase agility and workplace flexibility**. Amid the evolution, firms continue to downsize and right-size their real estate square footage with new target ratios of under 600 square feet (or less) for many law firms moving forward. The downsizing and rightsizing strategies are not about squeezing more people into smaller spaces. Rather, they are about embracing new ways of working where attorneys and staff can be equally, if not more productive working in a hybrid model. That is, attorneys and staff working from an ecosystem of places enabled by technology—the office, the home or anywhere for that matter. Most firms have come to terms with remote working as a new workplace reality, if not encouraging it. It's a clear preference expressed by attorneys and staff, and a clear must-have for recruiting and retention.

COVID-19 has greatly impacted all U.S. office markets and in many cases, has dramatically increased vacancy rates in the top 10 U.S. law firm markets, creating exceptional opportunities for the occupiers of commercial real estate to take advantage of favorable tenant market conditions, all time high concessions and lower market rents.

By necessity, firms are testing various models and alternatives to optimize their workplace and hybrid work policies that work best for them.

In tandem with the exploration of flexible and hybrid workplace solutions, it's clear that the majority of firms anticipate continuing to densify and reduce their firm's square foot per attorney target ratios, and reducing their overall real estate footprint. In fact, **58% of respondents noted that their firm plans to reduce its real estate square footage by over 10%.** In addition, even when firms are growing in attorney headcount and as a result taking more space, they are reducing their square feet per attorney overall.

In 5 years, what is the target ratio per attorney you plan to achieve?



65%
of firms note their target ratio will be 600 sf or less

76%
of firms say they anticipate making either dramatic or incremental changes to their workplace moving forward

DENSIFICATION CONTINUES

Nearly half of firm respondents (46%) indicated their current square footage per attorney ratio is at or below 600 sf. There are notable exceptions and firms with ratios well above 600 sf per attorney. In New York City, for example, several firms still have ratios at or above 800 sf per attorney. But as leases expire, we anticipate per attorney space ratios to come down. In response to our survey, only 4% of firms indicate they are currently allocating more than 900 sf per attorney. In 2021, of the top ten legal sector leases in the U.S., 50% decreased in square footage overall, 30% remained the same square footage and only 20% increased in size (both due to an increase of attorney count), which reduced the firm per attorney occupancy ratio.

The change in outlook year-over-year for ideal target ratios is significant. In 2020, 83% of respondents indicated they intended to achieve ratios of 600 sf per attorney or less. However, in 2021, only 65% indicated they are targeting 600 sf or less. Part of that shift may be explained by firms understanding that even while implementing hybrid workplace models and expecting fewer people in the office daily, firms will need still need enough physical office space for staff and attorneys to complete in-office work and tasks effectively. It is anticipated that firms will have fewer assigned, dedicated desks and offices, with greater allocations of space to collaboration areas and teaming spaces.

The densification of office space is due to both a reduction in average attorney office size and to the downsizing or elimination of support spaces that are no longer needed, including fewer support staff per attorney, virtual law libraries, file storage, and more.

CHANGES TO THE OFFICE WORKPLACE

Seventy-six percent **(76%) of firms say they anticipate making either dramatic or incremental changes to their workplace moving forward** in addition to the changes they've already made to date.

Fifty-three percent of the respondents noted that they anticipate having a better understanding of what a new normal might be for the office work environment by the middle of 2022 or first half of 2023. About 61% are also closely evaluating data collected in 2022 to assess for how their attorneys and staff return to the office and the impact it will have on not only operations but the physical real estate as well.

Regardless of square footage and densification plans, **the legal sector will continue to consolidate its leased real estate square footage**. That includes the continued trend to upgrade to high-quality buildings (new or Class A existing), which will provide better floorplate design and architecture, increased natural light, modern HVAC and technology. These building will also enable firms to improve the layout, efficiencies and design of the interior space overall—all desired features to achieve new workplace goals.

As noted previously in this report, the pandemic recession has created high vacancy rates in many major and tertiary markets that are providing occupiers opportunities to take advantage of market conditions, resulting in many lease restructures that include the give-back of space. By right-sizing and resetting lease rental rates—in many cases lower than current rates—a firm can significantly reduce its occupancy costs and annual per attorney seat costs. These savings can then be reallocated for increased technology spend. These opportunities also enable firms redesign space to better accommodate increased collaboration, space allocation and overall streamlining of operations. At the same time, they enable firms to create a more vibrant and interactive work environment with the end goal of inspiring people to return to the office, even if not five days a week.

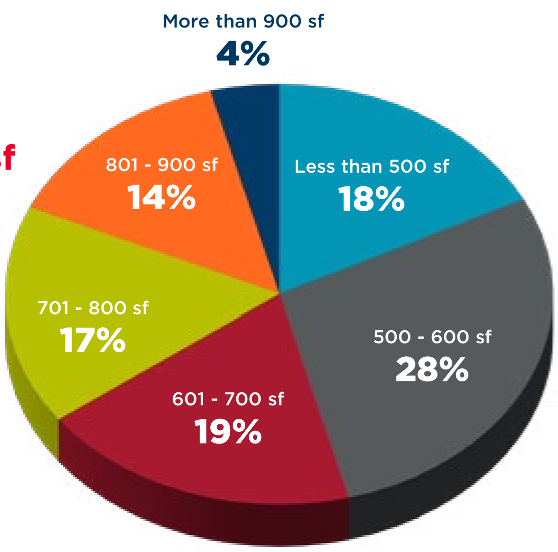
MULTI-MARKET LEGAL SECTOR PORTFOLIO ACTIVITY

Although anecdotal, since the beginning of 2022, Cushman & Wakefield noted the number of real estate services Request for Proposals from law firms looking for real estate service providers has increased substantially—close to 300% over 2020. This activity seems to indicate that law firms are slowly becoming more comfortable with making return to-the-office decisions.

Leasing activity, in turn, seems to support the anecdotal evidence. In the U.S., firms leased more than 11.6 million square feet last year according to Cushman & Wakefield research. That marked a 6% increase over 2020, though well under the 14.3 million sf leased in 2019. In major markets, new leases (rather than renewals) accounted for 50% of major law firm leasing deals in 2021, up from 41% in 2020—a shift that supports firms are increasingly more comfortable about making long-term space decisions plans. What's more, law firms may be ahead of other industries in making those decisions as the legal sector accounted for 9.7% of total office leasing activity in the top 10 legal markets in the U.S. last year, up from just 6% in 2020.

What is your square footage (sf) per attorney ratio estimate at 100% occupancy?

46%
600 sf or less
36%
between 600-800 sf
18%
800 sf or more



The leasing activity also suggests that firms are active in long-term real estate planning. Many firms that have multi-market office portfolios had already developed portfolio-wide design and office standards pre-pandemic. Those plans are now being refined even further. Since the pandemic, we have seen an increase in the number of multi-market firms following this trend towards developing and implementing firm-wide standards and strategies for each of their office locations. This approach is consistent with the legal sector taking a longer-term view about every aspect of their firm.

INCREASED LANDLORD CONCESSIONS – MINIMIZED OUT-OF-POCKET CAPITAL

In most of the top 10 U.S. law firm markets, out-of-pocket capital to a tenant has decreased due to increased landlord concessions. New York City and Washington D.C. serve as perfect examples where rising vacancy rates have put increasing pressure on landlords to sweeten concession offerings in the form of higher tenant improvements and free rent periods. Some concession offerings currently exceed $300 per square foot on transactions with 10 years or more in lease term. This significant concession increase reduces the potential out-of-pocket capital incurred by a law firm, and thus enables more firms relocate to higher quality buildings and right-size the real estate for their operations, continuing trends that had been prevalent for a decade prior to COVID-19. It should be noted that these net savings for tenants are being achieved even in the face of 10% - 12% increases in construction costs in 2021, supply chain backlogs and labor shortages.

In addition to the above, with the reduced square footage and increased concessions, even with higher rental face rates, the cost per attorney on an annual basis in many cases may go down. **Firms gain not only improved space efficiencies and costs, but higher quality buildings and new workplace designs better suited for today's work environment and to attract talent.**

While significantly increased concessions are not in all U.S. markets, on average they have gone up across the country since the pandemic. As such, firms have a window of opportunity to reduce their overall real estate footprints by implementing new workplace strategies. The capital investment required to accomplish these reductions and improve overall operations and the work environment has a break-even point of a few short years, in many cases. **Now more than ever, firms are closely evaluating cost benefit analyses, hoping to achieve change sooner than later.**

REMOTE WORK AND RETURN TO THE OFFICE

The most profound impact of the pandemic was the abrupt shift to remote work, forcing firms to develop various hybrid work policies, which most are now implementing In fact, survey respondents noted that sixty-five (65%) of attorneys say they expect to work remotely two to three days per week. For staff, 10% expect to be fully remote, while another 18% expects to be in the office full-time. Of course, this will vary based upon staff function and firm mandates.

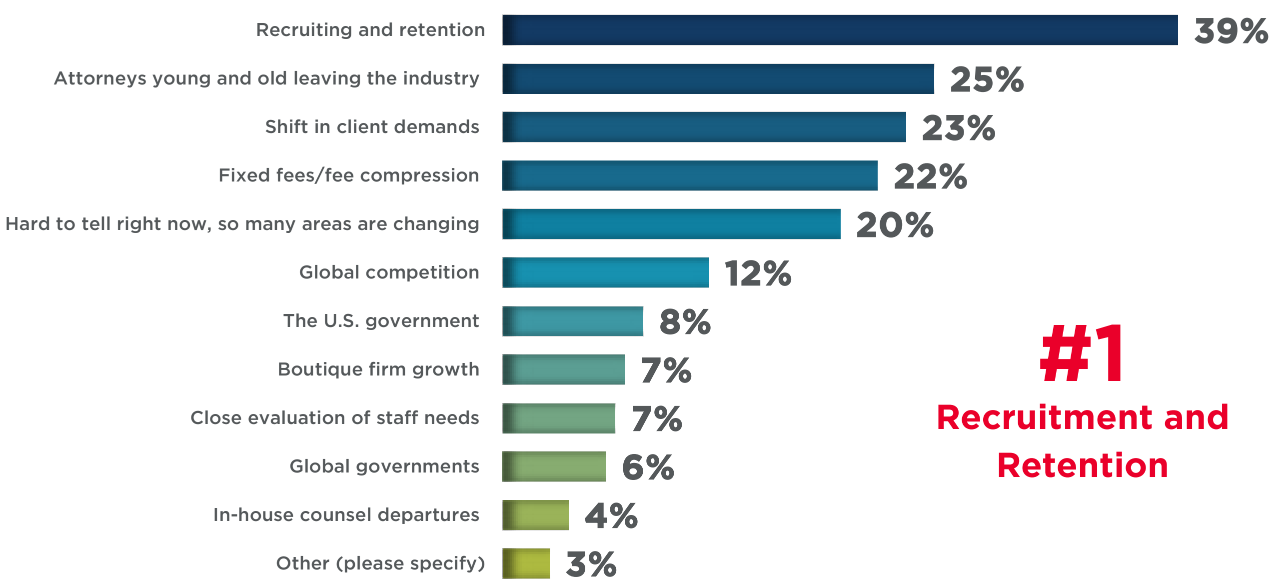
The return-to-office transition continues to be extremely challenging, largely due to continued pandemic surges, safety concerns and the savings and convenience of not having to commute. And yet, most law firm leaders recognize the importance of the office as the 'firm anchor,' a focal point of firm culture, for training, mentorship and collaboration.
Most firms have noted that they are encouraging their attorneys and staff to get back together through a variety of approaches—everything from training in the office, free food and socializing with colleagues, wellness programs and adding amenities they don't have at home. The activities are both social and substantive, all with a view toward reinforcing the value of being together in-person and providing a better experience in the office than at home.

A common refrain, unsurprisingly, is that most firms are still experimenting. Many firms believe that 20%-30% of their attorneys and staff can work effectively from home full time. Approximately another third of job functions, many firms believe, are best suited to be in the office part of the time, and approximately another third of job functions (e.g., food service employees or reception) need to be in the office five days a week.

For example, a Cushman & Wakefield client is mandating for the short-term, that attorneys and staff be in the office eight days a month—one set day a week of the firm's choosing and one other day of the employee's choosing. The firm's hope is to energize its workforce and have its people experience again the energy of being in the office and connecting and collaborating with coworkers. The firm hopes to use feedback from this several-month experiment to better understand what works best for their workforce and for their business as they further develop and refine the long-term real estate strategy, return to the office policies and investment priorities that will be needed to renovate or relocate there offices to provide for an improved overall office environment that will not only energize the lawyers and staff, but improve and streamline overall operations and client services.

65% of attorneys say they expect to work remotely two to three days per week.

Over the next few years, what areas will most impact the future of the legal sector?

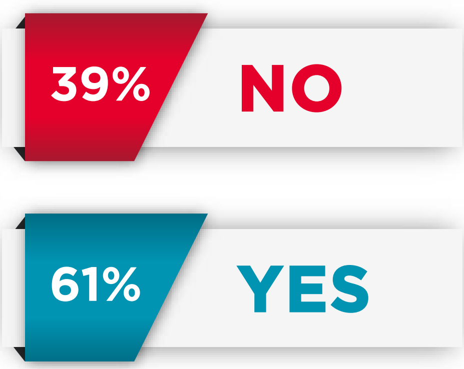


#1
Recruitment and Retention

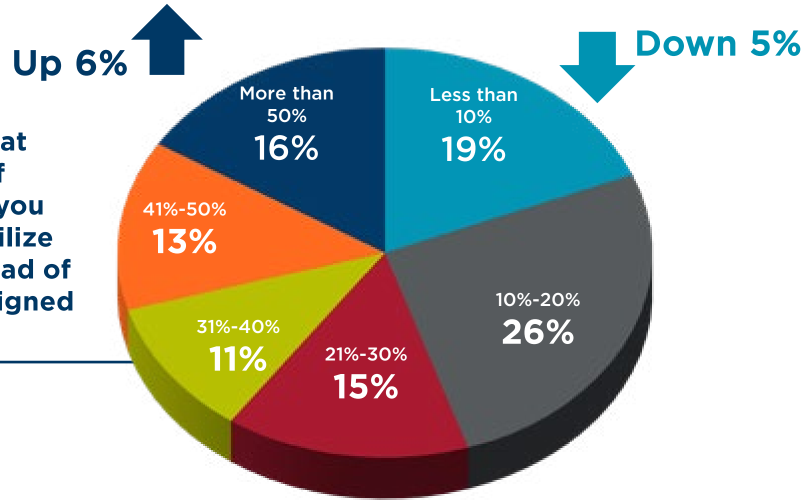
REMOTE WORKING POLICIES

At the time of our survey, most law firms appeared to be aligned on the need for clarity on remote work expectations. **More than 50% of respondents had either established remote work policies, were in the process of developing those policies or waiting to gather more information before they determined their policies.** The percentage of firms that have established policies is likely much higher now. At the time of the survey, 43% of firms said they currently allow attorneys and staff to work remotely without formal policies in place. It will be interesting to see if that holds true long-term or if the ambiguity becomes problematic.

In 5 years do you expect it will be common for firms to opt for workplace design where there are private attorney offices, but the offices are not assigned?



In 5 years, what percentage of attorneys do you expect will utilize hoteling instead of having an assigned desk/office?



HOTELING

Interest in hoteling some portion of both lawyers and staff is gaining more traction than in the past, albeit slowly. As of now, it is being deployed primarily for attorneys who will be in the office infrequently—that is, less than one day per week. Some firms are testing the concept of hoteling space that attorneys select on an opt-in basis, preferring alternative workspaces within the office with added amenities to a single, fixed private office location.

Thirteen percent (13%) of respondents are currently employing hoteling as a feature of hybrid workplace to give attorney and staff who split time between the office and remote workplaces a place to touch down on the days they come to the office. Two-thirds of firms indicate they are not yet utilizing hoteling or desk sharing formats, which we anticipate will increase in the coming years as firms gain a better understanding of their attorneys' desires to return to the office as well as the frequency (number of days a week) becomes more stable.

Interest in hoteling is growing, however, and firms expect the practice will be more common in the next five years.

Last year, 54% firms expected that while hoteling would become more common, it would impact less than 20% of their attorneys.

The same trend holds for respondents who indicated a significant attorney population would utilize hoteling in five years. Last year, a third of respondents predicted hoteling would be utilized by 30% or more attorneys in five years. This year, 40% of firms anticipate 30% or more attorneys will utilize hoteling in five years. Notably, 16% of respondent anticipate half of attorneys will fall in the hoteling category in five years.

Firms are also experimenting with what hoteling spaces will look like and are testing new models in a portion of their existing space. In one example, a firm has reconfigured a floor for hoteling with various seating options, including window-line seating, booths for collaboration, and casual seating among other features. Attorneys were given the option to give up their designated office to be assigned to the new space. According to initial reports, the flex hoteling space was over-subscribed.

FUTURE TRENDS AND PROJECTIONS

As we look across the legal sector, we have our eye on a handful of themes that we suspect will be more prevalent in the months and years to come.

WORKPLACE

Twenty four percent (24%) of respondents noted that their firm anticipated "dramatic changes" in their workplace due to the pandemic and current legal sector shifts. Another 52% anticipate incremental changes and only 24% anticipate that they will make no changes to their current workplace.

More than 60% of respondents anticipate that attorneys will have unassigned offices (full hoteling) within five (5) years up slightly from last year (56%). This increase support the growing comfort level with considering more innovative workplace layouts that balance attorneys' needs, cost pressures and real estate best practices.

Most firms don't expect to completely abandon private offices for attorneys, however, but attitudes and priorities are clearly shifting. There is a significantly greater expectation that open plans with no private assigned offices will be common in five years. That percentage increased from only 9% last year to 22% who now believe a shift to open plans with no assigned offices is a more likely approach in the future.

PARTNERSHIP STRUCTURES

Despite the many changes of the last two years, the traditional partnership structure is still expected to be the norm for the foreseeable future with select shifts continuing to take place (61%) That said, 10% of respondents noted we will not even recognize the new lawfirm.   There continues to be a shift toward two-tier partnerships, but most respondents believe the overall structure will remain the same.

THE EXPANSION OF BIGLAW

As firm's seek revenue and talent, it's likely that BigLaw firms will continue to expand into secondary and tertiary markets, threatening mid- and small-size incumbents.

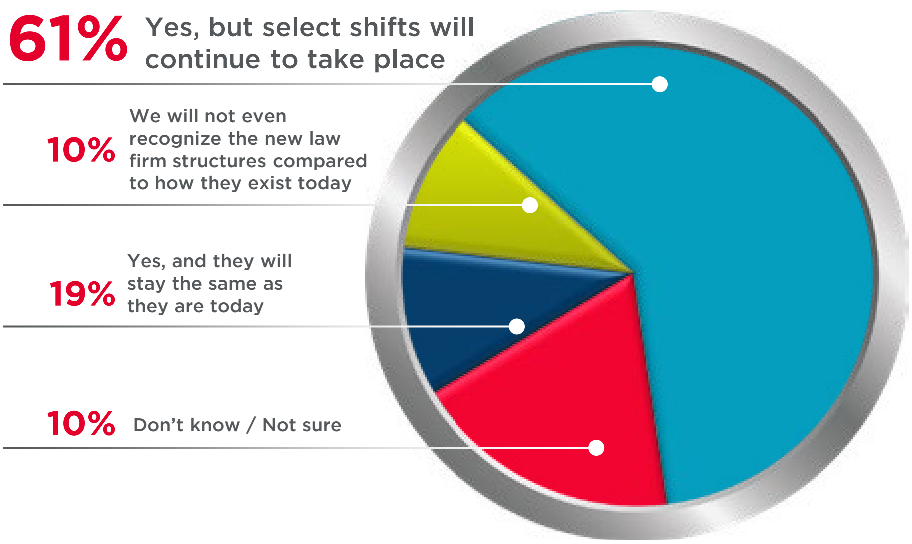
FIRM SIZE CONTINUES TO BE A FACTOR

With the largest firms continuing to grow, there will be added pressure for the smaller firms to grow, too. We also anticipate a continuing trend toward selective mergers and more acquisitions of groups of significant size.

THE TALENT WAR CONTINUES BUT SOFTENS

The war for talent is unlikely to continue at the frenzied pace of 2021. Although lateral hiring is likely to continue for the very best talent at all levels, the cooling of the economy and business activity has already had a tempering effect, and rumors of "stealth layoffs" are creeping into the conversation.

Do you believe traditional partnership structures will exist 10 years from now?



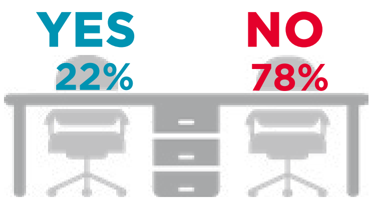
STRATEGIC PLANNING CREATES DIFFERENTIATION

Firms have become more strategic in positioning themselves for the future, charting their own course to a much greater extent than ever before. This differentiation may benefit both clients and talent in selecting the firm best-suited to them.

THE RISING PROMINENCE OF ESG

Most professional services organizations are increasingly adopting positions on Environmental, Social and Corporate Governance ("ESG") and committing to improvement. We expect ESG to be an important focus for the legal sector and firms are taking issues into account in operational decisions—for example, selecting buildings with LEED certification, sourcing local products, working with ESG-minded suppliers, reducing travel and so forth.

In 5 years, do you expect it will be common for firms to opt for an open plan with no private attorney offices?



MACRO PERSPECTIVE

Heading into the second half of 2022, we're mindful of increasing headwinds.

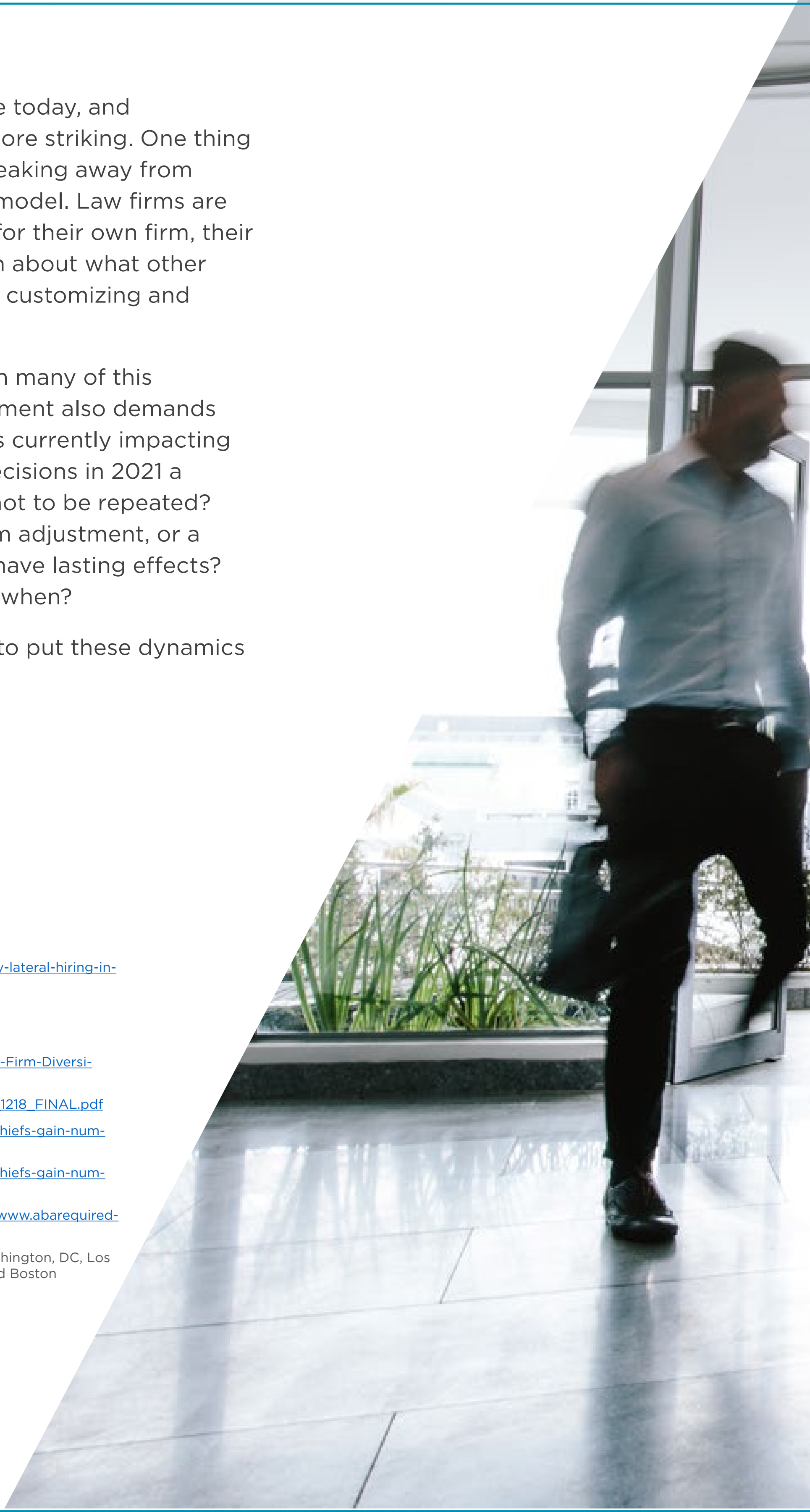
The ongoing overhang of the pandemic, geopolitical threats, increasing inflation, supply chain issues, interest rate hikes, and the prospect of a recession are all having a dampening effect on the economy and the legal sector.

CONCLUSION

The contrast between 2021, where we are today, and expectations for the future couldn't be more striking. One thing is certain, however. The legal sector is breaking away from the traditional mold of a one-size-fits all model. Law firms are being more strategic about what is best for their own firm, their people and clients. And with less concern about what other competitors or peers are doing, firms are customizing and implementation solutions.

Despite the longer-term focus reflected in many of this year's survey results, the present environment also demands attention. Are the financial and key issues currently impacting workplace, technology and real estate decisions in 2021 a reflection of the moment, an aberration not to be repeated? Is the slowdown we're seeing a short-term adjustment, or a reflection of longer-term forces that will have lasting effects? Are we headed for a recession and, if so, when?

The 2022 Bright Insight report attempts to put these dynamics in perspective.



ENDNOTES

1 Statista; GlobeNewswire; BRC

2 Statista; U.S. Census Bureau

3 Wells Fargo Private Bank Specialty Group Survey

4 U.S. Bureau of Labor Statistics

5 U.S. Bureau of Labor Statistics

6 U.S. Bureau of Labor Statistics

7 https://www.law360.com/legalindustry/articles/1478976/attorney-lateral-hiring-increased-111-in-2021

8 U.S. Bureau of Labor Statistics

9 U.S. Bureau of Labor Statistics

10 https://mcca.com/wp-content/uploads/2021/12/2021-MCCA-Law-Firm-Diversity-Survey-Report.pdf

11 http://www.talent2025.org/uploads/files/Chief-Diversity-Officer_1218_FINAL.pdf

12 https://www.reuters.com/legal/legalindustry/law-firm-diversity-chiefs-gain-numbers-influence-2021-07-07/

13 https://www.reuters.com/legal/legalindustry/law-firm-diversity-chiefs-gain-numbers-influence-2021-07-07/

14 According to data submitted by 197 law schools to ABA. https://www.abarequired-disclosures.org/Disclosure509.aspx, accessed April 28, 2022.

15 The top 10 legal sector markets are: New York City, Chicago, Washington, DC, Los Angeles, Atlanta, Houston, Philadelphia, Dallas, San Francisco and Boston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